

AR44



*File*

**DAVIS DISTRIBUTING & VENDING LIMITED**

**Annual Report 1969**

**DAVIS DISTRIBUTING & VENDING LIMITED**  
*and its Subsidiary*

<i>Directors:</i>	M. Levy, <i>Chairman of the Board</i> B. Davis, <i>President</i> S. D. Vader, <i>Vice President and Secretary</i> I. J. Grosman, <i>Treasurer</i> J. C. McCartney
<i>Transfer Agent and Registrar:</i>	The Metropolitan Trust Company Toronto, Ontario
<i>Co-Transfer Agent:</i>	The Morgan Trust Company Montreal, Quebec
<i>Bankers:</i>	Bank of Montreal, Toronto
<i>Auditors:</i>	Rudson, Goldfarb & Co. Chartered Accountants, Toronto
<i>Legal Counsel:</i>	Harvey and Associates Barristers & Solicitors, Toronto
<i>Subsidiary:</i>	Nathan Davis Vending Limited
<i>Listing:</i>	Canadian Stock Exchange



## REPORT TO THE SHAREHOLDERS

This is our first annual report since becoming a public company and we wish to welcome you as a shareholder of Davis Distributing & Vending Limited.

This report includes financial statements for the fiscal year ended June 30, 1969. Sales for that year totalled \$14,761,096 and resulted in net earnings after taxes of \$110,390. This is equivalent to 23 $\frac{1}{4}$ ¢ per share on a total of 475,000 shares presently outstanding. The favourable trend in your company's growth continues and the outlook for 1970 is encouraging. Sales in the first quarter of the current fiscal year were \$3,983,850. This represents an increase of 7% over the comparative quarter of last year.

A first quarterly dividend of 3¢ per share on the outstanding common shares has been declared by the board of directors. This will be payable on December 15, 1969 to shareholders of record on November 28, 1969.

In December your company will be moving to its new leased premises at the corner of Lakeshore Boulevard East and Logan Avenue, Toronto. This property, which has been built to the company's specifications, comprises some 64,500 square feet of floor space. Initially, about 41,000 square feet will be required for our needs and negotiations are in progress to sub-lease the balance of the space. The single floor layout of the warehouse and the application of up-to-date methods of materials handling will result in

efficiencies in many directions. The new premises will permit innovations which will further improve service to our customers.

An agreement to lease our own property at 162 Queens Quay East, Toronto, has been entered into with a substantial tenant, who is expected to occupy the premises on January 15, 1970.

The company's common shares are now traded on the Canadian Stock Exchange under the ticker symbol DAD.

Your company's policy is to search continuously for acquisitions which will permit further expansion and diversification into fields where our knowledge and experience can be applied to advantage.

The strong progress of the company is due in large measure to the interest and sincere efforts of our employees. We take this opportunity of thanking them for their loyalty and the solid contributions they are making to the company's success.

We also wish to express appreciation to our customers for their support and to our suppliers for their co-operation and encouragement.

On behalf of the board,

B. DAVIS,  
President.

November 28, 1969.



**DAVIS DISTRIBUTING & VENDING LIMITED**  
*and its Subsidiary*

**CONSOLIDATED BALANCE SHEET**

as at June 30, 1969

**ASSETS**

**CURRENT ASSETS**

Cash .....	\$ 3,972
Accounts receivable .....	1,103,061
Inventory, at lower of cost or net realizable value .....	895,899
Loan receivable .....	30,000
Prepaid expenses and sundry assets .....	52,656
	<u>\$2,085,588</u>

**FIXED ASSETS — Note 4**

Land, building, equipment and vehicles .....	\$ 518,082
Accumulated depreciation .....	102,944
	<u>\$ 415,138</u>
	<u><u>\$2,500,726</u></u>

**LIABILITIES**

**CURRENT LIABILITIES**

Bank indebtedness — Note 5 .....	\$ 503,000
Accounts payable and accrued liabilities .....	1,188,162
Equipment instalments due within one year .....	9,260
Mortgage payments due within one year .....	3,000
Income taxes payable .....	62,411
	<u>\$1,765,833</u>

**LONG TERM LIABILITIES**

Mortgage payable — Note 6 .....	\$ 34,536
Equipment instalments .....	22,789
Notes payable — 7½% due June 30, 1974 .....	150,500
	<u>\$ 207,825</u>

**SHAREHOLDERS' EQUITY**

CAPITAL STOCK — Notes 2, 3 & 7 .....	\$ 1,250
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER COST .....	78,777
RETAINED EARNINGS .....	447,041
	<u>\$ 527,068</u>
	<u><u>\$2,500,726</u></u>

Approved on behalf of the Board:

I. J. GROSMAN, *Director*.  
M. LEVY, *Director*.

**AUDITORS' REPORT**

To the Shareholders of  
DAVIS DISTRIBUTING & VENDING LIMITED

We have examined the consolidated balance sheet of Davis Distributing & Vending Limited and its wholly owned subsidiary as at June 30th, 1969, and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30th, 1969, and the results of their operations and the source and use of their funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
August 8th, 1969.

RUDSON, GOLDFARB & CO.,  
Chartered Accountants.



DAVIS DISTRIBUTING & VENDING LIMITED  
and its Subsidiary

## CONSOLIDATED STATEMENT OF EARNINGS

for the year ended June 30, 1969

Sales .....	\$14,761,096
Cost of sales, selling, warehouse, delivery and administrative expenses exclusive of depreciation and interest .....	14,484,226
	<u>\$ 276,870</u>
Depreciation .....	\$ 18,278
Interest .....	55,264
	<u>\$ 73,542</u>
Income from operations .....	\$ 203,328
Equity in income of 50% owned company to February 28, 1969, when it became wholly owned ..	6,944
Provision for income taxes .....	99,882
	<u>\$ 110,390</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended June 30, 1969

Balance at beginning of the year .....	\$ 343,844
Net earnings for the year .....	110,390
Goodwill written off .....	(713)
Cost in excess of book value of acquiring remaining 50% of subsidiary, February 28, 1969 .....	(6,480)
	<u>\$ 447,041</u>

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended June 30, 1969

Operations	SOURCE OF FUNDS	
Net earnings for the year .....	\$ 110,390	
Add (deduct) non cash items		
— depreciation .....	18,278	
— equity in income of 50% owned company .....	(6,944)	
	<u>\$ 121,724</u>	
Issue of 7½% notes .....	150,500	
Issue of preference shares .....	9,000	
	<u>\$ 281,224</u>	
	USE OF FUNDS	
Additions to fixed assets .....	\$ 11,947	
Equipment instalment and mortgage payments .....	6,389	
Payment of accrued wages of prior year .....	30,000	
Purchase of remaining 50% shares of Nathan Davis Vending Limited .....	22,504	
Redemption of preference shares .....	152,000	
	<u>\$ 222,840</u>	
Net increase in working capital .....	<u>\$ 58,384</u>	



**DAVIS DISTRIBUTING & VENDING LIMITED**  
*and its Subsidiary*

**NOTES TO CONSOLIDATED BALANCE SHEET**

as at June 30, 1969

**NOTE 1 — COMPANIES INCLUDED**

The consolidated balance sheet includes the accounts of Davis Distributing & Vending Limited and its wholly owned subsidiary Nathan Davis Vending Limited.

**NOTE 2 — REORGANIZATION**

During the year the following transactions occurred:

- (a) supplementary letters patent were issued under date of June 3, 1969 changing the name of the Company from Davis Tobaccos Limited to Davis Distributing & Vending Limited; reclassifying and subdividing the 25,000 authorized and issued common shares without par value into 325,000 Class A shares without par value; creating an additional 175,000 authorized Class A shares without par value; creating 500,000 authorized common shares without par value; and redesignating the 1,520 5% non-cumulative redeemable preference shares with a par value of \$100 each as 1,520 Class B shares with a par value of \$100 each;
- (b) on March 12, 1969 75 preference shares (later redesignated as 75 Class B shares) were issued for \$7,500 in cash;
- (c) on June 11, 1969 15 Class B shares were issued for \$1,500 in cash;
- (d) on June 27, 1969 1,520 Class B shares, being all the issued and all the authorized Class B shares of the Company were redeemed; and
- (e) on June 27, 1969 \$150,500 7½% notes due June 30, 1974 were issued.

**NOTE 3 — EVENT SUBSEQUENT TO JUNE 30, 1969**

On August 29, 1969 the Company sold 150,000 common shares without par value for \$483,000 in cash and incurred expenses of issue estimated at \$20,000.

**NOTE 4 — FIXED ASSETS**

Fixed assets are classified as follows:

	<u>Cost Or As Stated</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land, at market value, appraised by J. A. Willoughby & Sons Limited, June 16, 1965 ....	\$198,000		\$198,000
Building .....	85,543	\$ 23,875	61,668
Vending equipment .....	187,644	52,875	134,769
Warehouse and office equipment .....	34,488	20,903	13,585
Vehicles .....	12,407	5,291	7,116
	<u>\$518,082</u>	<u>\$102,944</u>	<u>\$415,138</u>

Depreciation rates adopted by the Company are:

- (a) on the diminishing balance method
  - Building — 5% per annum
  - Warehouse and office equipment — 20% per annum
  - Vehicles — 30% per annum
- (b) on the straight line method
  - Vending equipment — 1/7 per annum



**DAVIS DISTRIBUTING & VENDING LIMITED**  
*and its Subsidiary*

**NOTE 5 — BANK INDEBTEDNESS**

The bank indebtedness is secured by a general assignment of accounts receivable.

**NOTE 6 — MORTGAGE PAYABLE**

The mortgage payable is secured by the land and building at 162 Queens Quay East, Toronto, is repayable \$447 monthly inclusive of interest at 7% and matures February 1, 1977.

**NOTE 7 — CAPITAL STOCK**

Class A shares without par value

Authorized 500,000

Issued 325,000 ..... \$1,250

Common shares without par value

Authorized 500,000

Issued nil ..... nil

\$1,250

The Class A shares are convertible at any time into fully paid common shares on a one for one basis.

No dividend can be declared on the Class A shares in any financial period unless a dividend of the same or greater amount is or has been declared on the common shares in such financial period.

The Company has agreed to grant an option to David Fry, Fraser & Company Limited to purchase an aggregate of 10,000 common shares at \$3.50 per share exercisable for a period of one year from July 31, 1969.

The Company intends to grant options to employees to purchase an aggregate of 8,000 common shares at \$3.50 per share exercisable for a period of three years from July 31, 1969.

**NOTE 8 — LEASE OBLIGATION**

The Company has arranged to lease a new warehouse commencing on completion of construction for a twenty year period at a rental of approximately \$80,000 per annum. A portion of the space will be subleased by the Company.

**NOTE 9 — COMPARATIVE STATEMENT**

A comparative statement has not been provided as the Company was a private company prior to June 3, 1969.

**NOTE 10 — REMUNERATION OF DIRECTORS AND SENIOR OFFICERS**

The aggregate direct remuneration paid or payable by the Company and its subsidiary to the directors and senior officers for the fiscal year ended June 30, 1969 was \$102,151.



**New Address:**

**45 Logan Avenue, Toronto 252, Ontario**



**HONEY PRINTING SERVICE LIMITED  
TORONTO**



DAVIS DISTRIBUTING & VENDING LIMITED  
and its Subsidiary

CONSOLIDATED STATEMENT OF EARNINGS  
for the six months ended December 31, 1969  
(unaudited)

Sales	\$8,070,063
Cost of sales, selling, warehouse, delivery and administrative expenses exclusive of depreciation and interest	<u>7,973,738</u>
	\$ 96,325
Depreciation	\$ 18,364
Interest	<u>25,564</u>
	\$ 43,928
Income from operations	\$ 52,397
Provision for income taxes	<u>26,818</u>
Net earnings	<u>\$ 25,579</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS  
for the six months ended December 31, 1969  
(unaudited)

Source of Funds

Operations	
Net earnings for the period	\$ 25,579
Add non cash items — depreciation	18,364
Sale of common shares — less share issue expenses of \$16,967	<u>466,033</u>
	\$ 509,976

Use of Funds

Additions to fixed assets	\$ 54,223
Equipment instalment and mortgage payments	5,115
Repayments of 7-1/2% notes payable	37,500
Dividends paid	<u>4,500</u>
	\$ 101,338
Increase in Working Capital	<u>\$ 408,638</u>

NOTE: Comparative figures have not been provided as the company's subsidiary was not wholly-owned as at December 31, 1968, and because the company was a private company at that date.

AR44



DAVIS DISTRIBUTING  
& VENDING LIMITED

INTERIM REPORT  
for the six months ended December 31, 1969



To the shareholders:

This is the first interim financial report to shareholders. Sales for the six-month period ending December 31, 1969, totalled \$8,070,063, an increase of 5-1/2% over the equivalent period in 1968.

Net earnings for this period which totalled \$25,579 were somewhat disappointing. In part this is due to the costs of conversion to a public company and the expenses related to the move to new premises. An analysis shows that during the six months under review the sales mix varied from the previous period. Sales of tobacco products, low mark-up items, increased substantially while sales of other products decreased.

The board of directors has declared a second quarterly dividend of 3¢ per share. This will be payable on March 16, 1970, to shareholders of record on February 27, 1970.

The company completed the move to its new premises at 45 Logan Avenue during

December with a minimum of disruption in business routine. The company leased all of the building and is occupying about 41,000 square feet. The balance of the building is sub-let to two tenants. The company has also leased its former premises at 162 Queens Quay East.

It is not expected that any slowdown in the economy will affect the consumption of the type of products which the company distributes. Management looks forward to a continuing and steady growth in sales and profits.

The company is considering a number of potential acquisitions and will advise you as soon as there are any significant developments.

On behalf of the board

*B. Davis*

President

February 27, 1970